

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6087

BILL NUMBER: SB 197

DATE PREPARED: Dec 12, 2001

BILL AMENDED:

SUBJECT: Health Insurance for Retired State Police.

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State

Summary of Legislation: This bill provides that the State Police Department must pay the premiums for health insurance coverage for each retired police employee and each retired civilian employee of the state police department who is participating in the State Police Department's insurance plan. It establishes the State Police Retiree Health Insurance Fund to pay for the insurance coverage for retired employees. The bill requires each active State Police Department employee to pay a percentage of the employee's salary into the fund. It requires each retired State Police Department employee participating in the insurance plan to contribute each month an amount equal to 1% of the retired employee's monthly pension benefit.

Effective Date: July 1, 2002.

Explanation of State Expenditures: This bill establishes the State Police Retiree Health Insurance Fund to pay for the insurance coverage for retired State Police employees. An estimated additional \$2.7 M would be required annually to fully fund the health insurance program. (This amount is in addition to the amount contributed by active and retired State Police employees as specified in the bill.)

Background: This estimate was based on an actuarial analysis conducted by Milliman and Robertson, Inc., for the Indiana State Police Alliance in December 1996. The analysis was adjusted to represent the net present value for the period beginning in 2003. The estimate is also based on projected employee contributions and health insurance benefits over a 69-year period and assumes an annual interest rate of 7%. The analysis also assumes no growth in the employee population. The additional \$2.7 M required annually to fully fund the program applies to each year of the 69-year projection period. (This annual funding stream would be equivalent to a one-time up-front payment of \$39.5 M earning interest at 7% per year.)

The State Police Retiree Health Insurance Fund consists of required contributions by active employees (with contribution rates ranging from 1.25% to 2.5% of the employee's wages, depending upon length of service) and contributions from those retired employees who choose to participate in the program (with a contribution rate equal to 1% of the retired employee's monthly pension benefit). In addition, the Fund consists of interest

earned and any amounts appropriated by the General Assembly. Money in the Fund at the end of a state fiscal year does not revert to the state General Fund. The Fund is to be administered by the State Police Department and is to be used to pay for the costs of health insurance coverage provided to retired State Police employees.

Explanation of State Revenues: See Explanation of State Expenditures, above, regarding employee contributions.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State Police Department.

Local Agencies Affected:

Information Sources: *Projection of Retiree Medical Liabilities*, Milliman and Robertson, Inc., September 15, 1998, and adjusted to represent the present value of future benefits and contributions beginning in 2003.